

# ANNUAL ACTIVITY REPORT 2015



# **ЧАЙКАФАРМА**

**ВИСОКОКАЧЕСТВЕНИТЕ ЛЕКАРСТВА**

TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

25.03.2016.

## **General information about Tchaikapharma High Quality Medicines Inc.**

### **History and development of Tchaikapharma High Quality Medicines Inc.**

#### **Legal and commercial name**

The Legal and commercial name of the company is Tchaikapharma High Quality Medicines Inc.

#### **Location and registration. Unique Identification Code (UIC)**

The Company was registered in the Commercial Registry by Decision from 14.03.2000 on the company case 1096/2000 of the District Court of Varna as a joint stock company named TCHAIKA PHARMA INC.

By decision of the General Meeting of Shareholders from 04.07.2003, entered by Decision from 30.07.2003 on the company case 1096/2000 of the District Court of Varna, the name was changed to TCHAIKAPHARMA HIGH QUALITY MEDICINES INC.

The Company is registered in the Commercial Register of the Registry Agency at the Ministry of Justice with **UIC 103524525**.

#### **Foundation date and duration in time**

The Company was founded and entered in the Commercial Registry by Decision from 14.03.2000 on the company case 1096/2000 of the District Court of Varna as a joint stock company. The duration of the Company is not limited in time.

#### **Country of Company registration, headquarters and address pursuant to the Statute; legal form; legislation under which the Company operates**

Tchaikapharma High Quality Medicines Inc. is a joint stock company which operates in compliance with the legislation of the Republic of Bulgaria.

The Company is incorporated in the Republic of Bulgaria.

The headquarters and registered office of the Company are: Bulgaria, 1172 Sofia, 1 G.M. Dimitrov Blvd.

Contact Address: 1172 Sofia, 1 G.M. Dimitrov Blvd.

Telephone: (359 2) 960 3634

Internet site: [www.tchaikapharma.com](http://www.tchaikapharma.com)

#### **Shareholding structure as of 31.12.2015**

The main shareholder Tihomir Kamenov owns 95.92%,

Prof. Toni Vekov owns 4%, and the remaining 0.08% are owned by 42 individuals and one legal entity.

## Board of Directors

Tchaikapharma High Quality Medicines Inc. has a one-tier management system with a Board of Directors of three members as follows:

Bisser Rosenov Georgiev – Executive Director and Member of the Board of Directors

Krasimir Petrov Videlov- Chairman of the Board of Directors

Ivan Nikolov Boychev - Member of the Board of Directors

Shares held by members of the Board of Directors of the Company as of 31.12.2015 are:

Bisser Rosenov Georgiev – 340 shares

Ivan Nikolov Boychev – 1 060 shares

The Statute of Tchaikapharma High Quality Medicines Inc. does not provide for restrictions on the right of the Members of the Board of Directors to acquire shares of the Company.

The Members of the Board of Directors do not hold shares in the capital of other companies.

There are no contracts under Article 240 b of the Commercial Code in 2015.

Director for the Relations with Investors is Bisser Ivanov, tel.02/9 603 634, correspondence address - Sodja, 1 G.M. Dimitrov Blvd.

## Economic activity

The main activities of Tchaikapharma High Quality Medicines Inc. are purchase of substances and formulations for the production and sale of pharmaceuticals in finished or processed form, (after Marketing Authorisation); primary and secondary packaging of formulations (after Marketing Authorisation); import, export, re-export and merchandising in original or processed form. Secondly stand barter transactions and commissions; commercial representation of foreign and domestic individuals and legal entities at home and abroad; industrial and commercial management; consulting, marketing, brokerage, leasing, licensing, entrepreneurship, transport and shipping, research and development activities.

Tchaikapharma High Quality Medicines Inc. continuously maintains production facilities in accordance with the modern European standards of Good Manufacturing Practice of pharmaceuticals. Currently the factories of the company produce more than 150 medicinal products. The premises and equipment of the plant are in full compliance with the European requirements for manufacturing of sterile medicinal products.

The most important pharmaceutical products in terms of their contribution to revenues for 2015. are:

Nordipin - generic product used for diseases of the cardiovascular system;

Enalapril - generic product used for diseases of the cardiovascular system;

Bravylol - generic product used for diseases of the cardiovascular system;

Ceftriaxone - generic product for treating infectious diseases;

Spirolactone - generic product-diuretic;

Co-Irbesso - generic product used for diseases of the cardiovascular system;

Furoser - generic product-diuretic;

Bisor - generic product used for diseases of the cardiovascular system.

### Scientific research and development

Tchaikapharma High Quality Medicines Inc. focuses its R & D mainly on generics products and generic combinations. R & D projects are focused on the development of technology and clinical documentation for the so called first generics - generic products which are released immediately after dropping the patent protection of the original product which enables us to initiate marketing activities prior to activation of the price erosion caused by fierce competition on the generic market. The Company is Marketing Authorisation Holder for more than 150 medicinal products in Bulgaria and the EU and some export markets.

Tchaikapharma High Quality Medicines Inc. expanded its range of activities and is heading towards clinical trials as part of the creation of new branded generic drugs and fixed combinations. In this connection a new laboratory was established that on the basis of validated methods will examine various concentrations of drugs in human plasma to assess the bioequivalence of medicinal products to the original medicines. The activities of the new laboratory will seek to fill a niche not very developed on the Bulgarian market and at the same time is preparing to conduct the first clinical trial of a medicine of the company.

## ВИСОКОКАЧЕСТВЕНИТЕ ЛЕКАРСТВА

As of 31.12.2015 the average number of employees in Tchaikapharma High Quality Medicines Inc. was 124 (192 as of 31.12.2014 г.). The table below specifies detailed information about the employees in the company.

## Employees

	31.12.2015	Share
<b>Number of employees as of 31.12.2015</b>	<b>124</b>	<b>100%</b>
Higher education	76	61%
Secondary education	47	38%
Primary education	1	1%
Employees under 30 years	28	23%
Employees 31 - 40 years	55	44%
Employees 41 - 50 years.	24	19%
Employees 51 - 60 years.	12	10%
Employees 60+ years	5	4%
Women	51	41%
Men	73	59%

## Major trading partners

The major customer of Tchaikapharma High Quality Medicines Inc. in 2015 was Commercial League – National Pharma Centre Inc. with a 100 % share.

Commercial League – National Pharma Centre Inc., registered and head office – Sofia, 1 G. M. Dimitrov Blvd., main activity trade in medicines in the country and abroad. Relations are governed by a sale-purchase contract.

Suppliers whose share exceeds 10% of the total cost of services rendered and materials in 2015:

Commercial League – National Pharma Centre Inc. with 19 % share, registered and head office – Sofia, 1 G. M. Dimitrov Blvd., main activity trade in medicines in the country and abroad. Relations are governed by a sale-purchase contract..

CL Sourcing Co Ag with 51 % share, registered and head office in Switzerland.

## Information on implementation of the programme for applying of internationally recognised standards of good corporate governance

The Board of Directors of Tchaikapharma High Quality Medicines Inc. respects and implements the Code of Corporate Governance. The Company periodically disclose information relating to corporate governance in accordance with the “comply or explain” principle. In the event of non-compliance with the recommendations of the Code an explanation should be submitted.

The actions of the management of Tchaikapharma High Quality Medicines Inc. are aimed at strengthening the principles of good corporate governance, enhancing the confidence of shareholders, investors and those interested in the management and operations of the Company. The Board of Directors of Tchaikapharma High Quality Medicines Inc. complies with the Programme for Good Corporate Governance, which is in compliance with current regulations, internationally recognized standards of Good Corporate Governance and the National Corporate Governance Code.

The Board of Directors approved the policy on disclosure of information in accordance with legal requirements and regulations. The system of disclosure ensures equal access to information (to shareholders, persons concerned and investment community) and prevents misuse of inside information. The corporate governance ensures that the system of disclosure provides complete, timely, accurate and understandable information that enables objective and informed decisions and assessments. The Board of Directors of Tchaikapharma High Quality Medicines Inc. formulated a policy for Remuneration of the members of the Board of Directors, which should be approved at the General Meeting of Shareholders to be held to approve the Annual Financial Statements for 2015. The remuneration policy was developed in accordance with Ordinance № 48 of March 20, 2013 of the Financial Supervision Commission and the Public Offering of Securities Act. The size and structure of remuneration are determined by the General Meeting of the Company.

The Board of Directors of Tchaikapharma High Quality Medicines Inc. prepared a Report on the implementation of the remuneration policy of the members of the Board of Directors for 2015. The Report reveals the way the remuneration policies are implemented and pays special attention to preventing incentives for excessive risk taking, conflict of interest or other behavior, resulting in adverse effects. The company maintains an English-language version of the corporate website with similar content.

Processes and procedures for holding General Meetings of Shareholders ensure equal treatment of all shareholders, including minority and foreign and defend their interests. The materials related to the General Meeting of Shareholders are available to the shareholders on the day of the announcement of the invitation in the Commercial Register on the company's website: [www.tchaikapharma.bg](http://www.tchaikapharma.bg) and are available on request free of charge to shareholders. Shareholders with voting rights can exercise their right at the General Meeting of Shareholders in person or by representatives and by correspondence or electronically. The Corporate management takes action to encourage the participation of shareholders at the General Meeting of Shareholders, including by allowing remote presence by technical means (including internet) where this is possible and necessary, and not difficult or unnecessarily expensive.

The Board of Directors believes that they have created prerequisites for sufficient transparency in the relationships with investors, financial media and analysts in the capital market.

#### **Significant events since the beginning of the year until 31.12.2015**

By Decision of the General Meeting of 20.04.2015 the capital was increased from BGN 43 500 000 to BGN 49 600 000, by issuing 6 100 000 (six million and one hundred thousand) new ordinary shares with a nominal value of BGN 1 (one). The capital increase was carried out by capitalization of profits pursuant to Art. 197 of the Commerce Act. The distributed dividend from the profit was BGN 34 815.86.

#### **Significant events after the date of drawing up the Annual Financial Statements.**

From the beginning of the year by the date of the Annual Activity Report there were no significant events.

#### **New developments and products**

The Company continues to develop its traditionally strong portfolio, and in 2015 was granted Marketing Authorisations in Bulgaria for new medicinal products for the treatment of diabetes and cardiovascular disease as follows:

- Pizona 15 mg, 30 mg, 45 mg tablets

- Amarhyton 50 mg, 100 mg, 150 mg, 200 mg prolonged release capsules
- Co-Telsart 40 mg/12.5 mg, 80 mg/12.5 mg, 80 mg/25mg tablets
- Cordacare Plus 10 mg/12.5 mg, 20 mg/12.5 mg tablets
- Aroba 100 mg tablets – for Bulgaria;
- Pretimectal 35 mg modified-release tablets – for Bulgaria;
- Cardesart-Co 8 mg/12.5 mg, 16 mg/12.5 mg tablets – for Bulgaria;
- Cardesart-Co 8 mg/12.5 mg, 16 mg/12.5 mg tablets – for Slovakia;
- Cardesart-Co 8 mg/12.5 mg, 16 mg/12.5 mg tablets – for Czech Republic;
- Vorifungal 200 mg powder for solution for infusion – for Bulgaria;
- Rosuvastatina-Tchaikapharma 10 mg, 20 mg, 40 mg film-coated tablets – for Romania.
- Esomeprazole- Tchaikapharma 40 mg powder for solution for injection/infusion
- Dexketoprofen - Tchaikapharma 50 mg/2 ml solution for injection or concentrate for solution for infusion
- Aripipa 15 mg tablets
- Olsart 10 mg, 20 mg, 40 mg film-coated tablets
- Coolsart 20 mg/ 12,5 mg, 20 mg/ 25 mg, 40 mg/12,5 mg, 40 mg/ 25 mg film-coated tablets

- Remifentanil - Tchaikapharma 1 mg, 5 mg powder for concentrate for solution for injection/infusion

The long-term policy for the development of Tchaikapharma High Quality Medicines Inc. includes the company's development of the European market, and the main focus is to the markets of the EU member states. In pursuance of this policy of the Company in 2015 completed the first International Marketing Authorisation procedure for Rossta tablets, and Tchaikapharma High Quality Medicines Inc. received Marketing Authorisation for the product in Bulgaria, Czech Republic, Poland, Romania and Greece.

In 2015 Tchaikapharma High Quality Medicines Inc. passed the first stage of its third Decentralised Procedure for the medicinal product Tamayra of 5 mg/5 mg and Tamayra of 10 mg/5 mg hard capsules, where the reference country is Bulgaria and the other affected countries are the Czech Republic, Romania, Portugal Slovakia, Greece and Austria.

After completion of the national phase of the Decentralised Procedure for the medicinal product Candesartan/Hydrochlorothiazide, Tchaikapharma High Quality Medicines Inc. received Marketing Authorisation in the territory of Romania.

Besides its role as a high quality manufacturer of medicinal products registered in the EU, Tchaikapharma also received two new Marketing Authorisations for medicinal products Bravylol and Amariton for the territory of Kosovo.

In the process of Marketing Authorisation in Bulgaria are 8 more medicinal products that meet modern requirements for drug therapy.

### **Envisaged development**

The strategy for the future development of Tchaikapharma High Quality Medicines Inc. is to expand its scope of activities and is directed towards the implementation of clinical trials as part of the creation of new branded generic drugs and fixed combinations. In this connection a new laboratory was established and on the basis of validated methods various concentrations of drugs in human plasma will be examined to assess the bioequivalence of medicinal products tested to original medicines. The activities of the new laboratory will seek to fill a niche not very developed on the Bulgarian market while at the same time it is preparing to conduct the first clinical trial of a medicinal product of the company.

Tchaikapharma High Quality Medicines Inc. will continue to develop as a company producing high-quality medicines that meet international standards.

Through active marketing policy and competitive prices, the Company aims to increase the market share of its products in the country.

On foreign markets, efforts are focused on expanding markets in other Balkan countries as well as in Ukraine.

Continuation of the policy of active partnership with established international pharmaceutical companies, new companies and expansion of the product portfolio of the already established collaborations.

### **Information on the Company's concluded loan agreements**

The Company has entered into loan agreements with two banks:

- UNITED BULGARIAN BANK AD, agreed amount BGN 7 823 thousand, maturity 30.11.2016, balance as of 31.12.2015 BGN 7 823 thousand

- UNICREDIT BULBANK AD, agreed amount BGN 1 565 thousand, maturity 30.10.2016, balance as of 31.12.2015 BGN 597 thousand.

### **Information on transactions essential for the activity**

For the reporting period there were no major transactions and such of material importance for the company.



**Other information in accordance with Annex 10 of Ordinance No 2 on the prospectuses for the public offering and admission to trading on a regulated market of securities and disclosure of information by public companies and other issuers of securities.**

The Company has no related parties described in IAS and due to this it does not prepare a consolidated report on the activity.

The Company has no transactions outside the usual activity and activities, which deviate from the market conditions.

During the reporting period, there were no events and indicators of unusual nature for the company.

Tchaikapharma High Quality Medicines Inc. has no off-balance sheet transactions for the reporting period.

In 2015 there were no changes in the basic principles of management of Tchaikapharma High Quality Medicines Inc.

The Company has not issued new securities.

Tchaikapharma High Quality Medicines Inc. has not published estimates on its financial result for 2015

During the reporting period there were no changes in the management bodies of the Company.

The Company has no pending legal, administrative and arbitration proceedings relating to liabilities or receivables amounting to at least 10 percent of its equity.

The Company has no information about any agreements that may result in changes in the holding of shares by existing shareholders.

**Information on shareholdings and major investments.**

Tchaikapharma High Quality Medicines Inc. does not hold shares in other companies and has not acquired such for 2015.

The main investments in the last three years are as follows:

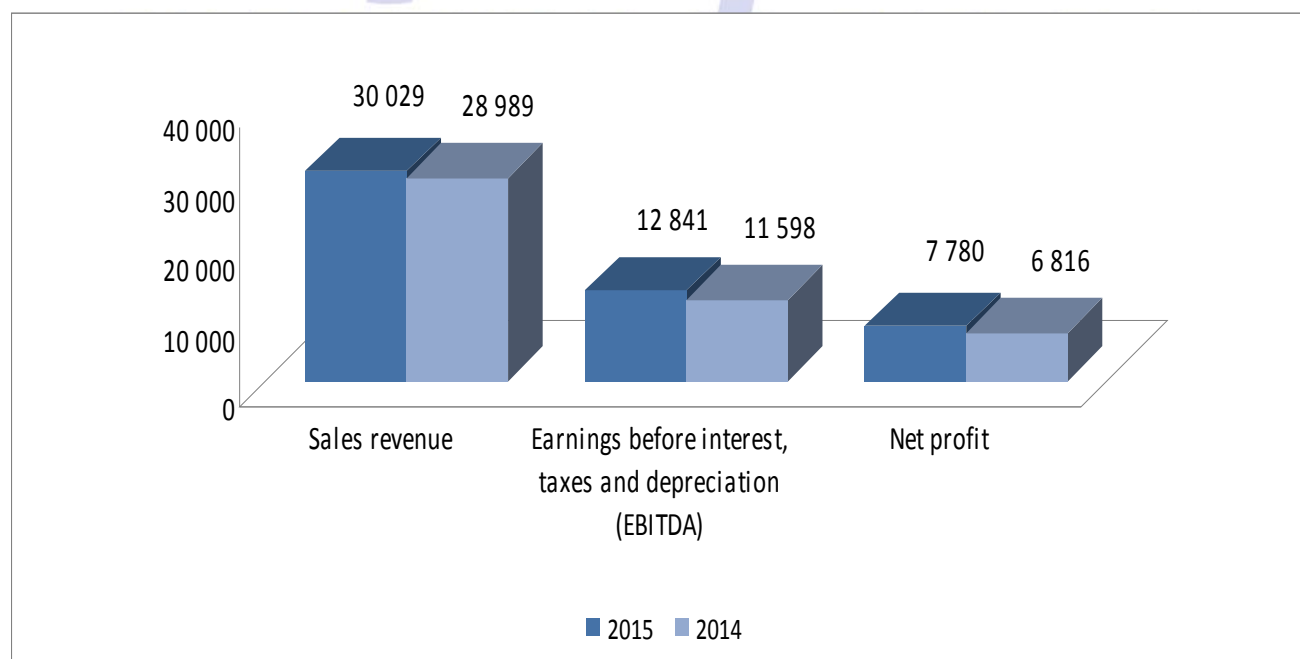
<b>Investments for the period</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Tchaikapharma High Quality Medicines Inc.</b>			
<b>I. Tangible assets</b>	<b>2 103</b>	<b>199</b>	<b>2 906</b>
1. Machinery and equipment	2 093	196	2 782
2. Other tangible assets	10	3	124
<b>II. Intangible assets</b>	<b>727</b>	<b>1 031</b>	<b>532</b>
1. Industrial property rights	727	1 031	531
2. Software			1
<b>Total amount of acquisition of TA and IA</b>	<b>2 830</b>	<b>1 230</b>	<b>3 438</b>

## Key financial indicators

Indicators	01-12/2015 BGN '000	01-12/2014 BGN '000	change %
Sales revenue	30 029	28 989	3,5%
Earnings before interest, taxes and depreciation (EBITDA)	12 841	11 598	10,7%
Net profit	7 780	6 816	14,2%

	31.12.2015 BGN '000	31.12.2014 BGN '000	change
Non-current assets	37 208	35 754	4,1%
Current assets	43 066	36 875	16,8%
Equity	63 972	55 706	14,8%
Non-current liabilities	2 912	2 864	1,7%
Current liabilities	13 390	14 059	-4,8%

	01-12/2015	01-12/2014	change
EBITDA/Sales revenue	43%	40%	3%
Net profit/Sales revenue	26%	23%	3%
Borrowed capital /Equity	0.25	0.30	-0.05



## Review of the risk factors

### Risks associated with the Company's business and the industry in which the Company operates

- The Company's activities could be affected by any change in the regulatory requirements for the production of pharmaceutical products.
- Changes to the legislation regulating the Company's business are possible, and these can potentially increase the costs of compliance or have another effect on its operations.
- The production processes of the Company are subject to stringent requirements and approvals by regulatory authorities which may delay or interrupt the operations of the Company.
- The ability of the Company to pay dividends depends on a number of factors and there is no guarantee that in a year it will be able to pay dividends in accordance with its dividend policy.
- The Company is exposed to operational risk, which is inherent in its business activities.
- The Company is subject to many laws and regulations in the field of environmental protection and health and safety conditions and is exposed to potential liabilities related to the environment.
- The Company is exposed to strong competition
- The Company operates in active exchange with foreign suppliers and customers. It is therefore exposed to currency risk, mainly against the US dollar. Currency risk is related to the adverse movement in the exchange rate of the US dollar against the Bulgarian lev in future business operations, recognized foreign currency assets and liabilities. The rest of the company's operations are usually denominated in Bulgarian lev and/or in euros

### Foreign exchange risk

The Company is not exposed to significant risks associated with foreign exchange rates, as most of its assets, liabilities and transactions are denominated in BGN or Euro and BGN is pegged to the euro, according to the rules of the Currency Board. Regular monitoring is carried out on the items of the balance sheet in order to minimize exposure to foreign exchange risk.

### Credit risk

Credit risk arises mainly from cash and cash equivalents and deposits with banks and other financial institutions, as well as loans granted. For banks and other financial institutions are only accepted institutions with high credit ratings. The Company has provided a loan to one legal entity and one individual against collateral - promissory notes and/or mortgages on real estate depending on the relationships of the Company with the entities. Management does not expect losses due to default of their counterparties.

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, as well as opportunities for additional funding through loans and closing market positions. Due to the dynamic nature of the principal business, the Financial Department of the Company aims to achieve flexibility in funding by maintaining sufficient unused credit lines.

### **Risk of changes in cash flows and fair values due to changes in interest rates**

The interest bearing assets of the Company have fixed and floating interest rates. Loans with floating interest rates expose the Company to interest rate risk of changes in future cash flows and loans with fixed interest rate – expose to interest rate risk from changes in fair value. The Company's policy is to provide loans mainly with fixed interest rates. As of December the 31<sup>st</sup> 2015 and 2014, the Company has no interest bearing assets at fair value and therefore is not exposed to risk from changes in fair value.

### **Information on core characteristics of the internal control system applied by the Company in the preparation of the Financial Statements**

According to the Bulgarian legislation the Management should prepare Activity Report and Financial Statements for each financial year which should provide a true and fair view of the financial position of the Company at year-end, financial performance and cash flows in accordance with applicable accounting framework. Management's responsibility includes implementing the internal control system for the prevention, detection and rectification of errors and false statements resulting from the action of the accounting system. In this regard, the Management observes the following principles:

- adherence to certain management and accounting policy disclosed in the financial statements;
- performance of all operations in accordance with the laws and regulations;
- coverage of all events and operations in a timely manner with accurate amounts in the appropriate accounts for the reporting period so as to permit preparation of financial statements in accordance with a specific accounting framework set;
- adherence to the principle of prudence in the valuation of assets, liabilities, income and expenses;
- identification and elimination of fraud and errors;
- completeness and correctness of accounting information;
- preparation of reliable financial information;
- adherence to international financial reporting standards and the principle of going concern.

## Operating results for 2015

### Operating income

Revenues from sales of products in 2015 increased by BGN 1 040 thousand or 3.6%, to BGN 30 029 thousand, compared to BGN 28 989 thousand 2014.

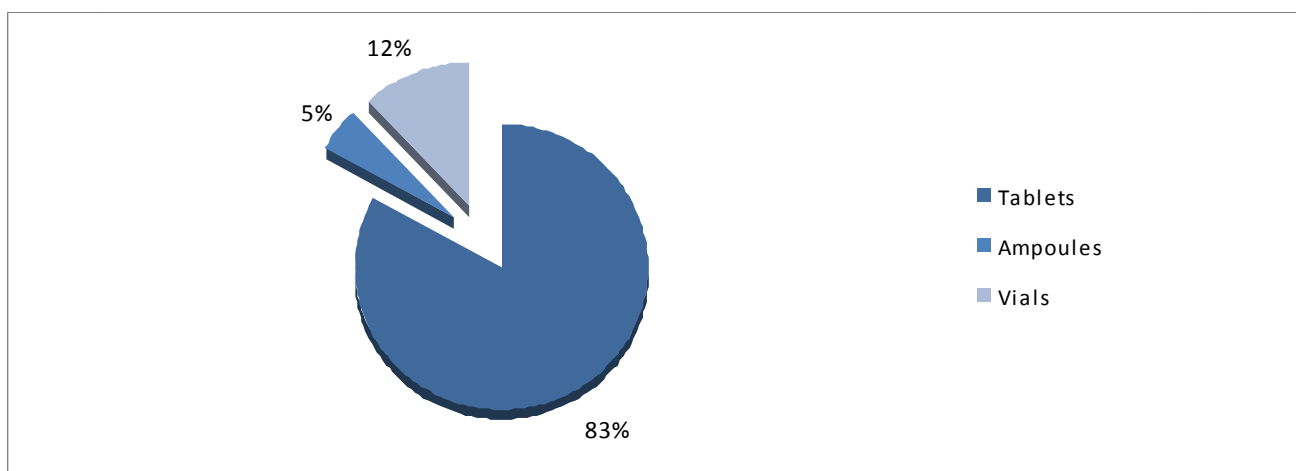
Revenues from sales in the European market are relatively small because the company is still in the process of registration of its products on the foreign markets.

Domestic sales increased by BGN 1 040 thousand compared to 2014. The products with the largest share of sales in the country are: Nordipin, Enalapril, Bravylol, Ceftriaxone, Spironolactone, Co-Irbesso, Furoser, Bisor.

### Sales by types of dosage forms

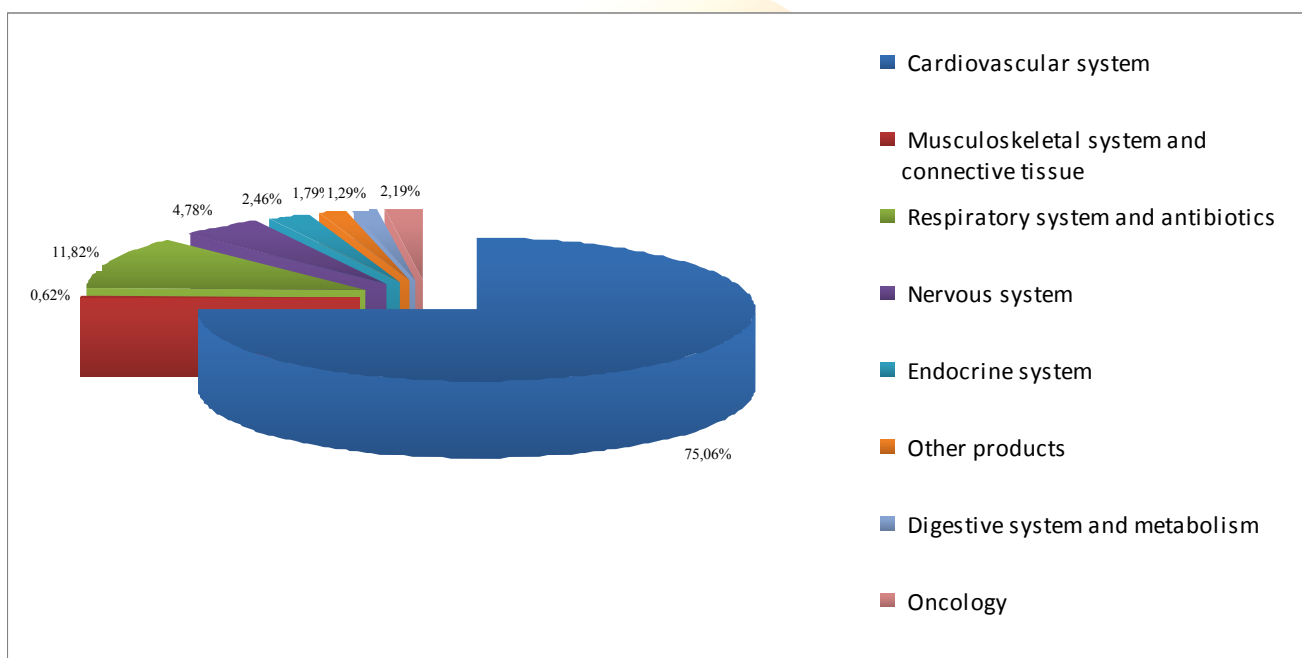
#### Revenue by dosage forms

	01-12/2015 <i>BGN '000</i>	01-12/2014 <i>BGN '000</i>	change %
Tablets	24 835	20 538	20.9%
Ampoules	1 506	1 198	25.7%
Vials	3 605	6 958	-48.2%
<b>Total:</b>	<b>29 946</b>	<b>28 694</b>	<b>4.4%</b>



## Revenue by therapeutic groups

	01-12/2015 BGN '000	01-12/2014 BGN '000	change %
Cardiovascular system	22 478	18 234	23.3%
Musculoskeletal system and connective tissue	185	175	5.7%
Respiratory system and antibiotics	3 539	6 762	-47.7%
Nervous system	1 430	1 010	41.6%
Endocrine system	736	295	149.5%
Other products	537	947	-43.3%
Digestive system and metabolism	385	847	-54.5%
Oncology	656	424	54.7%
<b>Total:</b>	<b>29 946</b>	<b>28 694</b>	<b>4.4%</b>



ВИСОКОКАЧЕСТВЕНИТЕ ЛЕКАРСТВА

	01-12/2015	01-12/2014	change %
Changes in the inventories of products and work in progress	-200	445	-144.9%

## Other operating revenue

	01-12/2015 BGN '000	01-12/2014 BGN '000	change %	share 2015
Income from rent	42	43	-2.3%	51%
Other income	41	252	-83.7%	49%
<b>Total:</b>	<b>83</b>	<b>295</b>	<b>-71.9%</b>	<b>100%</b>

## Operating expenses

### Operating expenses

	01-12/2015 BGN '000	01-12/2014 BGN '000	change %	share 2015
Book value of sold products	1 986	1 407	41.2%	10%
Materials	7 878	6 907	14.1%	38%
External services	2 891	3 270	-11.6%	14%
Salaries	3 088	4 416	-30.1%	15%
Social security costs	561	687	-18.3%	3%
Depreciation costs	3 652	3 442	6.1%	17%
Other	536	1 096	-51.1%	3%
<b>Total:</b>	<b>20 592</b>	<b>21 225</b>	<b>-3.0%</b>	<b>100%</b>

### Cost of materials

	01-12/2015 BGN '000	01-12/2014 BGN '000	change %	share 2015
Basic material	7 220	6 333	14.0%	92%
Electricity	238	229	3.9%	3%
Fuels and lubricants	86	98	-12.2%	1%
Spare parts and laboratory materials	181	94	92.6%	2%
Water	6	7	-14.3%	0%
Other materials	147	146	0.7%	2%
<b>Total:</b>	<b>7 878</b>	<b>6 907</b>	<b>14.1%</b>	<b>100%</b>

Cost of materials increased by BGN 971 thousand to BGN 7878 thousand for 2015, which is a result of the increase in the cost of basic materials.

### Costs of external services

	01-12/2015 BGN '000	01-12/2014 BGN '000	change %	share 2015
Rents	187	160	16.9%	6%
Security	82	96	-14.6%	3%
Insurance	58	68	-14.7%	2%
Telephone and postage expenses	61	49	24.5%	2%
Equipment maintenance and subscription	38	46	-17.4%	1%
Fees	59	31	90.3%	2%
Transport costs	32	36	-11.1%	1%
Other costs for external services	2 374	2 784	-14.7%	83%
<b>Total:</b>	<b>2 891</b>	<b>3 270</b>	<b>-11.6%</b>	<b>100%</b>

## Financial income and expenses

### Financial income

	01-12/2015 BGN '000	01-12/2014 BGN '000	change %	share 2015
Interest income	10	9	11.1%	48%
Income from exchange rate differences	11	1	1000.0%	52%
Other financial income	-	1	0.0%	0%
<b>Total:</b>	<b>21</b>	<b>11</b>	<b>90.9%</b>	<b>100%</b>

### Financial expenses

	01-12/2015 BGN '000	01-12/2014 BGN '000	change %	share 2015
Interest expenses	586	519	12.9%	90%
Expenses from exchange rate differences	17	9	88.9%	3%
Other financial expenses	42	55	-23.6%	7%
<b>Total:</b>	<b>645</b>	<b>583</b>	<b>10.6%</b>	<b>100%</b>

## Assets

	31.12.2015 BGN '000	31.12.2014 BGN '000	change %	share 2015
<b>Non-current assets</b>				
Property, plant and equipment	27 145	26 971	0.6%	73%
Intangible assets	3 962	3 840	3.2%	11%
Investments with minority interest	1	1	0.0%	0%
Non-current loans granted		17	-100.0%	0%
Trade receivables	6 100	4 925	23.9%	16%
<b>Total non-current assets</b>	<b>37 208</b>	<b>35 754</b>	<b>4.1%</b>	<b>46%</b>

	31.12.2015 BGN '000	31.12.2014 BGN '000	change %	share 2015
<b>Current assets</b>				
Inventories	4 711	4 365	7.9%	11%
Trade and other receivables	38 199	32 248	18.5%	89%
Financial assets with maturity	116	204	-43.1%	0%
Cash and cash equivalents	40	58	-31.0%	0%
<b>Total current assets</b>	<b>43 066</b>	<b>36 875</b>	<b>16.8%</b>	<b>54%</b>
<b>Total Assets</b>	<b>80 274</b>	<b>72 629</b>	<b>10.5%</b>	<b>100%</b>

The trade receivables from customers have increased by BGN 5.9 million compared to 31.12.2014



	31.12.2015 BGN '000	31.12.2014 BGN '000	change %	share 2015
<b>Property, plant and equipment</b>				
Land and buildings	11 505	11 385	1.1%	42%
Machinery and equipment	15 116	14 915	1.3%	56%
Other	254	180	41.1%	1%
In the process of acquisition	270	491	-45.0%	1%
<b>Total:</b>	<b>27 145</b>	<b>26 971</b>	<b>0.6%</b>	<b>100%</b>

	31.12.2015 BGN '000	31.12.2014 BGN '000	change %	share 2015
<b>Inventories</b>				
Materials	4 211	3 674	14.6%	90%
Production	152	117	29.9%	3%
Goods	95	87	9.2%	2%
Work in progress	253	487	-48.0%	5%
<b>Total:</b>	<b>4 711</b>	<b>4 365</b>	<b>7.9%</b>	<b>100%</b>

## Equity and liabilities

	31.12.2015 BGN '000	31.12.2014 BGN '000	change %	share 2015
Registered capital	49 600	43 500	14.0%	78%
Statutory reserve	6 592	5 390	22.3%	10%
Undistributed profit	7 780	6 816	14.1%	12%
<b>Total Equity</b>	<b>63 972</b>	<b>55 706</b>	<b>14.8%</b>	<b>100%</b>

	31.12.2015 BGN '000	31.12.2014 BGN '000	change %	share 2015
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Long-term loans	1 653	1 683	-1.8%	57%
Deferred tax liabilities	1 210	1 181	2.5%	42%
Liabilities to employees upon retirement	49		100.0%	1%
<b>Total non-current liabilities</b>	<b>2 912</b>	<b>2 864</b>	<b>1.7%</b>	<b>18%</b>

	31.12.2015 BGN '000	31.12.2014 BGN '000	change %	share 2015
<b>Current liabilities</b>				
Trade and other liabilities	2 551	3 027	-15.7%	19%
Short term loans	8 420	9 388	-10.3%	63%
Current part of long-term loans	1 790	1 241	44.2%	13%
Current corporate income tax	121	146	-17.1%	1%
Other tax liabilities	508	257	97.7%	4%
<b>Total current liabilities</b>	<b>13 390</b>	<b>14 059</b>	<b>-4.8%</b>	<b>82%</b>
<b>Total liabilities</b>	<b>16 302</b>	<b>16 923</b>	<b>-3.7%</b>	<b>20%</b>
<b>Total equity and liabilities</b>	<b>80 274</b>	<b>72 629</b>	<b>10.5%</b>	<b>100%</b>

*Equity* increased by BGN 8266 thousand or by 18% reaching BGN 63 972 thousand at the end of 2015 against BGN 55 706 thousand at the end of 2014, mainly as a result of the transfer of profit to share capital increase of the company, which from BGN 43 500 thousand at the end of 2014 became BGN 49 600 thousand at the end of 2015.

*Non-current liabilities* increased by BGN 48 thousand or 0.02 %, to BGN 2912 thousand at the end of 2015 compared to BGN 2864 thousand at the end of 2014, mainly due to the liabilities to employees upon retirement of BGN 49 thousand.

*Current liabilities* decreased by BGN 669 thousand or 0.05%, to BGN 13 390 thousand at the end of 2015 compared to BGN 14 059 thousand at the end of 2014. This is due to the decrease in short-term bank loans with BGN 968 thousand; reduction of liabilities to suppliers by BGN 476 thousand. The total exposure to bank loans of the Company as of 31.12.2015 decreased by BGN 968 thousand compared to 31.12.2014.

### Cash flows

	31.12.2015	31.12.2014
	<i>BGN '000</i>	<i>BGN '000</i>
Net cash flows from operating activities	4 685	3 715
Net cash flows from investing activities	-1 027	-741
Net cash flows from financial activities	-3 676	-2 947
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-18</b>	<b>27</b>
Cash and cash equivalents on the 1 <sup>st</sup> of January	58	31
Cash and cash equivalents on the 31 <sup>st</sup> of December	40	58

Net cash decreased by 18 thousand in 2015 and as a result the cash equivalents are 40 thousand.

### Financial indicators

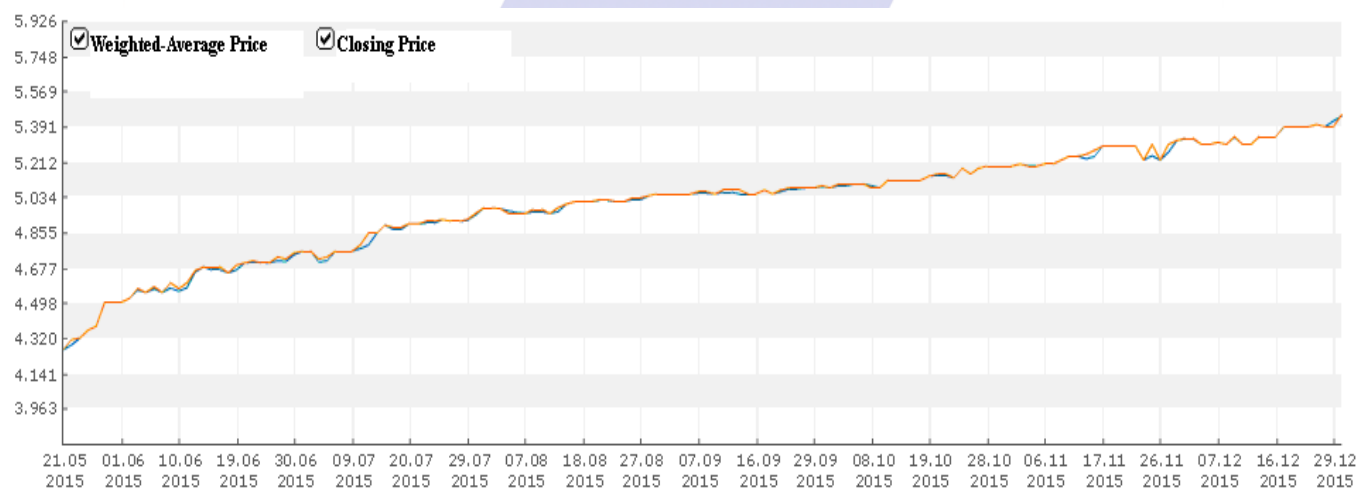
	31.12.2015	31.12.2014	change %
Return on equity	12.2	12.2	0.00%
Return on assets	0.1	0.09	11.11%
Asset turnover ratio	0.37	0.4	-7.50%
Liquidity ratio	3.22	2.62	22.90%
The quick liquidity ratio	2.85	2.3	23.91%
Gearing ratio	0.25	0.3	-16.67%
Financial autonomy ratio	3.92	3.29	19.15%

### Information on the shares of Tchaikapharma High Quality Medicines Inc.

The total amount of shares issued as of 31.12.2015 is 49 600 000 with a nominal value of BGN 1 per share. All issued shares are registered, dematerialized, ordinary and indivisible under the Statute of the Company. All issued shares are of the same type. Each share gives equal rights to its owner in proportion to the nominal value of the share. The shares of Tchaikapharma High Quality Medicines Inc. are traded on the official market of the Bulgarian Stock Exchange-Sofia.

### Essential information on the shares of Tchaikapharma High Quality Medicines Inc.

	31.12.2015	31.12.2014
Total number of issued shares	49 600 000	43 500 000
Number of shares in circulation at end of period	49 600 000	43 500 000
Net profit per share in BGN	0.16	0.16
Price per share at the end of the period in BGN	5.45	n/a
Book value per share in BGN	1.29	1.28
Price per share/Net profit per share	34.06	n/a
Price per share/Book value per share	4.22	n/a
Earning from the sale of one share in BGN	0.61	0.67
Price of one share/Earning from the sale of one share	8.93	n/a
Market capitalization at the end of the period in BGN	270 320 000	n/a



<http://www.bse-sofia.bg/?page=QuotesInfo&target=MarketInformation&code=7TH&compnum=347>

Bisser Georgiev

/Executive Director/